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ACTION E-15

INFO OCT-01 EUR-20 SSO-00 CAB-09 CIAE-00 COM-08 DODE-00
DOT-12 INR-07 NSAE-00 RSC-01 L-04 SS-20 NSC-10 RSR-01
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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY _____ DATE 6 MAY 1982
NDS ☐ or XDS ☐ EXT. DATE _____
TS AUTH. _____ REASON(S) _____
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DELIVER LOY E/TT 0900

SUBJECT: CIVAIR CONSULTATIONS

REF: STATE 63333

1. IN TUESDAY MEETING ITALDEL EXPRESSED UNHAPPINESS WITH US STATEMENT ON ROUTES OF DAY BEFORE AND SAID OF VARIOUS ALTERNATIVES ITALDEL PREFERED ADDITION OR POINTS TO ITALIAN SIDE. WAS ALSO PREPARED EXAMINE DELETIONS ON US SIDE. ITALDEL DID NOT KNOW WHAT POSSIBILITIES THERE MIGHT BE IN POINT SUBSTITUTION. AS FOR CO-TERMINALIZATION THIS COULD ONLY BE EXAMINED AFTER POINTS HAD BEEN DETERMINED.

2. USDEL THEN MADE PRESENTATION ON ROUTES. EMPHASIZED THAT ANY MODIFICATION ON ROUTES COULD ONLY BE CONSIDERED IN CONTEXT SATISFACTORY SETTLEMENT OTHER ISSUES. SINCE THESE UNRESOLVED ANY SUGGESTIONS MADE MUST BE HYPOTHETICAL. REPEATED THAT IN US VIEW ROUTE SCHEDULE BALANCED ON BASIS LAST US OFFER AND US WILLINGNESS CONSIDER ANY MODIFICATION UNDERLINES EFFORTS USDEL MAKING TO ACHIEVE AGREEMENT. USDEL THEN PROPOSED ADD PHILADELPHIA TO ITALIAN SIDE. SAID THIS REPRESENTED IMPORTANT NEW VALUE IN ORDER $3 MILLION. ADDED THAT US ALSO PREPARED CONSIDER IMPROVED CO-TERMINALIZATION WHICH WOULD GIVE ITALIANS GREATER FLEXIBILITY AND GREATER ECONOMIC BENEFITS. EMPHASIZED

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THIS WAS NOT OPEING NEGOTIATING POSITION BUT ALL THAT US COULD DO AFTER MOST INTENSE AND AGONIZED EXAMINATION IN WASHINGTON. POINTED OUT INTENSE US INDUSTRY OPPOSITION TO CHANGE WHICH ITALIANS WELL AWARE.

3. ITALDEL SAID PHILADELPHIA WAS NOT SATISFACTORY. IN ITALIAN VIEW ROUTE SCHEDULE WAS SUBSTANTIALLY IMBALANCED AND PHILADELPHIA DID NOT RESTORE BALANCE. SAID VALUE OF CO-TERMINALIZATION COULD ONLY BE DETERMINED AFTER POINTS KNOWN.

4. USDEL POINTED OUT THAT ITALDEL HAD MADE NO ECONOMIC CASE IN JUSTIFICATION OF ITS CASE. USDEL READ OF MAJOR CATEGORY TOTALS CONTAINED REFTEL WHICH DEMONSTRATED IN FACT POTENTIAL ON ITALIAN SIDE GREATER THAN ON US. EMPHASIZED USDEL PREPARED TO TABLE COMPLETE ANALYSIS OF ROUTE VALUES AND SUGGESTED ITALDEL DO SAME. ITALDEL SAID DID NOT PLACE GREAT VALUE ON "STATISTICS" BUT RELIED ON ACTUAL DATA AND "INDUCTIVE REASONING." SAID HOWEVER THAT WOULD BE PREPARED EXAMINE US PAPER BUT WOULD NOT BE ABLE PLACE OWN PAPER ON TABLE. USDEL SUGGESTED ITALDEL INABILITY PROVIDE ECONOMIC JUSTIFICATION FOR ROUTE POSITION INDICATED LESS THAN COMPLETE CONFIDENCE IN REASONABLENESS OF THAT POSITION.

5. USDEL THEN SUGGESTED DELS TURN TO OTHER MATTERS. ITALDEL STATED DID NOT BELIEVE DESIRABLE DISCUSS OTHER MATTERS UNTIL DELS COMPLETED DISCUSSION ON ROUTES WHICH WERE HEART OF WHOLE ISSUE. USDEL REJECTED THIS AND POINTED OUT NO REASON SUBSTANTIVE OR PROCEDURAL NOT TO TURN TO OTHER ISSUES OTHER THAN ITALIAN INSISTENCE ON EXTRACTING MAXIMUM CONCESSIONS FROM US ON ROUTES WITHOUT ANY INDICATION ITALIAN POSITION ON OTHER ISSUES OF CRITICAL IMPORTANCE TO US. POINTED OUT THAT USDEL HAD STILL NOT RECEIVED RESPONSE FROM ITALDEL ON MULTIPLE DESIGNATION AND ALL-CARGO PAPERS.

6. ITALDEL REPEATED OPPOSITION TO DISCUSSING OTHER ITEMS BUT SAID HAD EXAMINED MULTIPLE DESIGNATION PAPER (US DOC. 8) AND COULD NOT ACCEPT PARA. 4. REST OF PAPER SEEMED ALRIGHT BUT WOULD WISH TO MAKE SOME "MINOR" MODIFICATIONS SUCH AS INSURING THAT NO US OPERATION COULD BEGIN UNTIL ALITALIA COMMENCED ACTUAL OPERATIONS. USDEL SAID THIS CONCEPT OF SIMULTANEITY WAS INTERESTING AND ASKED IF ITALDEL

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THOUGH IT SHOULD BE APPLIED TO ROUTES, I.E., ALITALIA COULD NOT OPERATE TO ANY NEW POINTS UNLESS US CARRIERS INITIATED SERVICES AT THE SEVEN CERTIFICATED POINTS NOT NOW OPERATED. ITALDEL SEEMED SOMEWHAT UNHAPPY WITH THIS THOUGHT AND SAID WOULD HAVE TO THINK ABOUT IT. (USDEL FEARS THAT SIMULTANEITY ON DALLAS FOURTH CARRIER WOULD PERMIT ITALIANS PREVENT FOURTH CARRIER IN MARKET MERELY BY ALITALIA NOT OPERATING. THIS MAY EXPLAIN ITALIAN INSISTENCE ON NEW POINTS AS DEVICE TO NEUTRALIZE POSSIBLE LOSS OF DALLAS.)

7. USDEL THEN TURNED TO CAPACITY AND TABLED AMENDMENT TO US DOC. 7 WHICH PROVIDED FOR BRAZIL FORMULA IN EVENT DISAGREED EX POST FACTO CONSULTATIONS. ITALDEL SAID WOULD CONSIDER. COMMENT: USDEL HAS NOTED WASHINGTON COMMENTS ON STATE 64171 ON CAPACITY BUT FEELS WE COULD GO ALONG WITH REVISION ITALIAN PROPOSAL WHICH WOULD AVOID ANNUAL CAPACITY CONSULTATION BUT MIGHT RESULT IN BIANNUAL TALKS. REVISED FORMULATION WOULD APPLY AT END EX POST FACTO TALKS AND CONTROLS MAXIMUM CAPACITY FOR CORRESRONDING FUTURE SEASON AS FOLLOWS: (A) IF PARTIES AGREE THAT CAPACITY INCREASE DURING SEASON UNDER REVIEW WAS EXCESSIVE, THAT EXCESS IS DEDUCTED, AND REMAINDER IS THEN INCREASED BY AN AGREED PERCENTAGE (WHICH SHALL NOT BE LESS THAN THE PERCENTAGE WITH WHICH US/ITALY TRAFFIC GREW DURING SEASON UNDER REVIEW.) (B) IF PARTIES DO NOT AGREE THAT CAPACITY INCREASE WAS EXCESSIVE, THE CAPACITY OFFERED IN THE SEASON PRIOR TO THE SEASON UNDER REVIEW IS INCREASED BY TWICE THE PERCENTAGE BY WHICH TOTAL US/ITALY TRAFFICE GREW DURING SEASON UNDER REVIEW. (C) IN EITHER CASE, THE MAXIMUM CAPACITY CALCULATED FOR THE CORRESPONDING FUTURE SEASON SHALL NOT BE SUBJECT TO EX POST FACTO CONSULTATION EXCEPT IN EXTRAORDINARY CIRCUMSTANCES.
MARTIN

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